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JUL 25 1996

WRITER'S DIRECT DIAL NUMBER:

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July 25, 1996

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

**VIA HAND DELIVERY**

Mr. William Caton  
Secretary  
Room 222  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

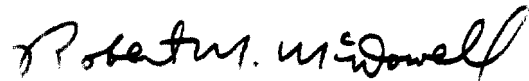
Re: *Ex Parte* Presentation Disclosure; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; **CC Docket No. 96-98.**

Dear Mr. Caton:

Transmitted herewith, on behalf of IXC Long Distance, Inc. ("IXC"), Westel, Inc. ("Westel"), and Capital Network System, Inc. ("CNSI"), all members of America's Carriers Telecommunication Association ("ACTA"), are an original and one copy of the *ex parte* presentations made in the above-referenced docket. This letter and its enclosures are being filed in accordance with the Commission's Rules governing *ex parte* communications.

Please date stamp the extra copy of this letter and return it with the courier. All inquiries regarding this matter should be addressed to the undersigned.

Respectfully submitted,



Robert M. McDowell  
Counsel for IXC, Westel, CNSI and ACTA

Enclosures

cc: Mr. Ken Hilden, IXC  
Ms. Gwen Rowling, Westel  
Mr. James Meadows, CNSI  
Ms. Jennifer Durst-Jarrell, ACTA  
Charles H. Helein, Esq., ACTA

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FEDERAL COMMUNICATIONS COMMISSION  
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**VIA HAND DELIVERY AND FACSIMILE**

The Honorable Reed E. Hundt  
Chairman

The Honorable James H. Quello  
Commissioner

The Honorable Rachelle B. Chong  
Commissioner

The Honorable Susan Ness  
Commissioner

Federal Communications Commission  
1919 M. Street N.W.  
Washington, D.C. 20554

**Re: Implementation of the Local Competition Provisions in the  
Telecommunications Act of 1996; C.C. Docket No. 96-98.**

Dear Mr. Chairman and Commissioners

On behalf of Capital Network System, Inc., this letter is being filed in accordance with subsection 1.1200 et seq. of the Commission's Rules governing ex parte communications.

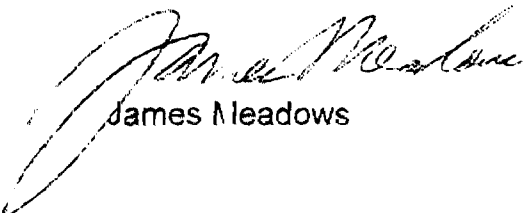
You received a letter on July 24th, 1996 from Mr. Guy Sederski, President of America's Carriers Telecommunication Association (ACTA), a copy of which is attached, regarding the Commission's contemplated action in Cc docket No. 96-98.

Page 2

Please know that CNSI is in complete agreement with the comments and arguments made by Mr. Sederski

Thank you for your time and consideration

Sincerely,



James Meadows

xe: reading file



July 25, 1996

The Honorable Reed E. Hundt  
Chairman

The Honorable James H. Quello  
Commissioner

The Honorable Rachelle B. Chong  
Commissioner

The Honorable Susan Ness  
Commissioner

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: Implementation of the Local Competition Provisioning in  
the Telecommunications Act of 1996:  
CC Docket No. 96-98

On behalf of Westel, Inc. by its attorneys, this letter is  
being filed with 1.1200 et. seq. of the Commission's Rules  
governing ex parte communications.

As a regional interexchange carrier and a local service provider, Westel, Inc. is very concerned that the voice of local competition will become no more than a whisper lost among the RBOCs' shouting demands for revenue neutrality. Consideration of revenue requirements is suitable under a rate of return regulatory environment. However, the FTA '96 specifically prohibits pricing standards for unbundled network elements if the costing models references rate of return. Acquiescing to the RBOCs' arguments on revenue requirements while eschewing the cost-based pricing standard of TSLRIC is, in effect, accepting a revenue model that is inappropriate within the context of competition. Revenue protectionism for the RBOCs clearly is antithetical to a competitive local service market place.

"Splitting the baby" on the pricing standard for the unbundled network elements will severe the artery of robust competition.

While it is acknowledged that access rates must be modified in order to be compliant with the terms of the Federal Act, an interim measure allocating access rate elements to the unbundled network components does not adequately address access reform and complicates the pricing of network elements by not implementing fully Federal law's mandate that a cost-based standard be employed.

A national pricing methodology based upon TSLRIC which complies with the law's mandate is the only mechanism that will fulfill the promise of implementing robust local competition and that will deliver consumer benefits. The threat of the RBOCs to raise local rates if confronted with true access reform and cost-based rates for network elements is a monopolist's political blackmail strategy that could extort competition's viability from the pockets of the American consumer.

Sincerely,

*Gwen Rowling*

Gwen Rowling  
Director of Business/Government Relations  
Westel, Inc.

cc: Office of the Secretary  
Ms. Regina Kenney  
Richard Metzger, Esq.  
Mr. John Nakahara  
Ms. Pete Belvin  
Mr. Daniel Gonzalez  
Mr. James Casserly



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IXC Long Distance, Inc. 98 San Jacinto Plaza, Suite 700, Austin, Texas 78701

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July 24, 1996

via facsimile 703-714-1330 (2) pages  
& U.S. Mail

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

Re: Implementation of the Local Competition Provisions in the Telecommunications Act  
of 1996

Dear Mr. Chairman:

On behalf of America's Carriers Telecommunication Association ("ACTA"), by its attorneys, this letter is being filed in accordance with §1.1200 *et seq.* of the Commission's Rules governing *ex parte* communications.

It has come to the ACTA's attention that the Commission is seriously considering implementing rules pursuant to § 251 of the Telecommunications Act of 1996 ("the Act") that will call for the pricing of unbundled network elements not with a long run incremental cost model, but rather by adding access charges to the cost of such elements. The rationale behind this proposal is to "soften the blow" to profits which will be incurred by incumbent local exchange carriers ("LECs") due to added competition in the local market. ACTA is in disagreement with this approach.

- With the Act, Congress mandated that incumbent LECs offer unbundled access of network elements at "rates, terms and conditions that are just, reasonable and nondiscriminatory". See §§ 251 (c)(2)-(3). The language of the Act does not empower the Commission to calculate alleged adverse economic effects into the cost formulation of unbundled network elements. If Congress had wished for such a cost structure, it would have included it in the language of the Act.
- By adopting a scheme that does not rely on true economic costs, but, instead includes the recovery of embedded costs through the "marking up" of the pricing of network elements via access charges for each element, the Commission will only be benefitting the entrenched monopolies and, therefore, diminish hopes of true competition in the local loop.
- The adoption of a long-run incremental cost standard for assessing the cost of unbundled network elements provides the monopolies with the recovery of competitive costs, along with a reasonable profit, common and joint costs. A properly deployed TSLRIC (Total Service Long Run Incremental Cost) pricing plan requires that common costs be separated on a

July 24, 1996

Page 2

service-by-service basis. Unlike the embedded cost standard which the Commission may be on the verge of adopting, the TSLRIC standard is widely accepted as allowing the carrier to competitively price its services against new entrants, thus assuring that entry will be economically rational.

- An embedded base costing standard may result in artificially higher prices based on "book" entries that have little or nothing to do with the incumbent LEC's economic costs of providing the service. Therefore, the use of embedded costs will deter efficient entry because the resulting prices have little, if anything, to do with the current or future cost of production. Rather, they enrich the incumbent LEC which has already recovered the cost of its embedded base over the years through access charges already received.

For the reasons above, and those in comments previously filed, ACTA strongly urges the Commission to adopt rules that clearly call for pricing at the TSLRIC standard, and not allow competition to occur through adding needless and excessive access charges to the cost of unbundled elements.

Respectfully submitted,



Ken Hilden  
V.P. Sales

cc: Jennifer Durst-Jarrell  
ACTA, Executive Director



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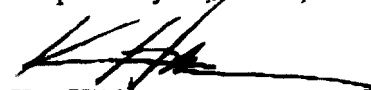
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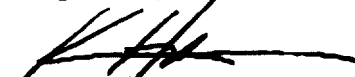
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